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# Payment Models Workgroup Meeting

April 30, 2020

# Agenda

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1. Introductions and Meeting Overview
2. Update Factor Discussion
3. Update on Clinic RVU Changes
4. Adjourn

Balanced Update Model for RY 2021		
<u>Components of Revenue Change Linked to Hospital Cost Drivers/Performance</u>		
		Weighted Allowance
Adjustment for Inflation (this includes 3.10% for compensation)		2.64%
- Rising Cost of Outpatient Oncology Drugs		0.13%
<b>Gross Inflation Allowance</b>	<b>A</b>	<b>2.77%</b>
<b>Care Coordination/Population Health</b>		
- Regional Partnership Grant		0.19%
<b>Total Care Coordination/Population Health</b>	<b>B</b>	<b>0.19%</b>
<b>Adjustment for Volume</b>		
-Demographic /Population		0.16%
-Transfers		
-Drug Population/Utilization		
<b>Total Adjustment for Volume</b>	<b>C</b>	<b>0.16%</b>
<b>Other adjustments (positive and negative)</b>		
- Set Aside for Unknown Adjustments	D	0.25%
- Low Efficiency Outliers	E	0.00%
- Capital Funding	F	0.03%
- Complexity & Innovation	G	0.10%
-Reversal of one-time adjustments for drugs	H	-0.03%
<b>Net Other Adjustments</b>	<b>I = Sum of D thru H</b>	<b>0.34%</b>
<b>Quality and PAU Savings</b>		
-PAU Savings	J	-0.28%
-Reversal of prior year quality incentives	K	0.19%
-QBR, MHAC, Readmissions		
-Current Year Quality Incentives	L	0.41%
<b>Net Quality and PAU Savings</b>	<b>M = Sum of J thru L</b>	<b>0.32%</b>
<b>Total Update First Half of Rate Year 21</b>		
Net increase attributable to hospitals	<b>N = Sum of A + B + C + I + M</b>	<b>3.79%</b>
Per Capita First Half of Rate Year (July - December)	<b>O = (1+N)/(1+0.16%)</b>	<b>3.62%</b>
<b>Adjustments in Second Half of Rate Year 21</b>		
-Oncology Drug Adjustment	P	0.00%
-QBR	Q	-0.32%
<b>Total Adjustments in Second Half of Rate Year 21</b>	<b>R = P + Q</b>	<b>-0.32%</b>
<b>Total Update Full Fiscal Year 21</b>		
Net increase attributable to hospital for Rate Year	<b>S = N + R</b>	<b>3.47%</b>
Per Capita Fiscal Year	<b>T = (1+S)/(1+0.16%)</b>	<b>3.30%</b>
<u>Components of Revenue Offsets with Neutral Impact on Hospital Financial Statements</u>		
-Uncompensated care, net of differential	U	0.12%
-Deficit Assessment	V	-0.09%
Net decreases	<b>W = U + V</b>	<b>0.03%</b>
<b>Total Update First Half of Rate Year 21</b>		
Revenue growth, net of offsets	<b>X = N + W</b>	<b>3.82%</b>
Per Capita Revenue Growth First Half of Rate Year	<b>Y = (1+X)/(1+0.16%)</b>	<b>3.65%</b>
<b>Total Update Full Rate Year 21</b>		
Revenue growth, net of offsets	<b>Z = S + W</b>	<b>3.50%</b>
Per Capita Fiscal Year	<b>AA = (1+Z)/(1+0.16%)</b>	<b>3.33%</b>

<b>Estimated Position on Medicare Target</b>		
Actual Revenue CY 2019		17,895,385,316
Adjust for MU Change 1/31/19-6/30/19		106,559,120
Undercharge 7/1/19-12/31/19		97,216,316
Adjusted Actual Revenue CY 2019		18,099,160,752
<b>Step 1:</b>		
Estimated Approved GBR RY 2020		18,400,495,306
Undercharge 7/1/19-12/31/19		97,216,316
Actual Revenue 7/1/19-12/31/19		9,015,458,624
Approved Revenue 1/1/20-6/30/20	<b>A</b>	<b>9,287,820,366</b>
<b>Step 2:</b>		
Estimated Approved GBR RY 2021		19,102,974,175
Permanent Update		3.82%
<b>Step 3:</b>		
Estimated Revenue 7/1/20-12/31/20(after 49.73% & seasonality)		9,499,909,057
Estimated Undercharge Percentage**		-
Projected Revenue 7/1/20-12/30/20	<b>B</b>	<b>9,499,909,057</b>
<b>Step 4:</b>		
<b>Estimated Revenue CY 2020</b>	<b>A+B</b>	<b>18,787,729,423</b>
Increase over CY 2019 Revenue		3.80%

**Maximum Increase that Can Produce Medicare Savings**

**Medicare**

Medicare TCOC Growth (CY2019 3.84%)	A	3.84%
Savings Goal for FY 2021	B	0.00%
Maximum growth rate that will achieve savings (A+B)	C	3.84%

**Conversion to All-Payer**

Actual statistic between Medicare and All-Payer <i>with conservatism</i>		0.95%	<b>Recommendation:</b>	<b>Savings:</b>
Excess Growth for Non-Hospital Cost Relative to the Nation <i>with conservatism</i>		-1.10%		
Net Difference Statistic Related to Total Cost of Care	D	-0.15%		
Conversion to All-Payer growth per resident $(1+C)*(1+D)-1$	E	3.68%	3.64%	0.05%
Conversion to total All-Payer revenue growth $(1+E)*(1+0.16%)-1$	F	3.85%	3.80%	0.05%

**Maximum Increase that Maintains Affordability**

State Gross Domestic Product per Capita (3 year CAGR 3.65%)

Savings Goal for FY 2021

Maximum growth rate that will achieve savings (A+B)

Conversion to total All-Payer revenue growth  $(1+C)*(1+0.16\%)-1$

A	3.65%	<b>Recommendation:</b>	<b>Savings:</b>
B	0.00%		
C	<b>3.65%</b>	<b>3.64%</b>	<b>0.01%</b>
D	<b>3.82%</b>	<b>3.80%</b>	<b>0.01%</b>

RY 2021 GBR Demographic Adjustments								
HOSPID	Hospital name	Payment Type	CY 2019 MD Resident Total Charges	CY 2019 MD Resident ECMADs	2020 Age Adjusted Population Growth	CY 2019 All-Payer Percent PAU	2020 Age& PAU Adjusted Growth	RY 2021 Demographic Adjustment
210001	MERITUS	GBR	\$306,560,785	24,030	0.90%	11.94%	0.80%	0.37%
210002	Y OF	GBR	\$1,702,153,265	76,846	0.18%	6.72%	0.17%	0.08%
210003	GEORGE	GBR	\$284,844,218	14,702	0.05%	13.88%	0.04%	0.02%
210004	CROSS	GBR	\$473,683,245	34,633	-0.32%	10.81%	-0.32%	-0.32%
210005	K	GBR	\$344,817,232	23,989	2.60%	12.06%	2.29%	1.06%
210006	HARFORD	GBR	\$104,444,013	6,339	1.35%	17.07%	1.12%	0.52%
210008	MERCY	GBR	\$541,082,361	35,208	0.08%	5.25%	0.07%	0.03%
210009	HOPKINS	GBR	\$1,998,674,653	98,062	0.08%	8.19%	0.08%	0.03%
210010	TER	GBR	\$41,021,605	2,556	0.24%	15.20%	0.20%	0.09%
210011	ST. AGNES	GBR	\$425,086,792	25,401	-0.10%	14.66%	-0.10%	-0.10%
210012	SINAI	GBR	\$780,743,501	39,756	0.17%	8.54%	0.16%	0.07%
210013	SECOURS	GBR	\$95,269,050	3,943	-1.22%	18.45%	-1.22%	-1.22%
210015	SQUARE	GBR	\$561,530,611	36,042	0.02%	13.48%	0.01%	0.01%
210016	ON	GBR	\$269,110,658	16,129	0.13%	12.98%	0.11%	0.05%
210017	COUNTY	GBR	\$47,454,909	3,961	1.07%	6.39%	1.00%	0.46%
210018	ERY	GBR	\$176,337,168	10,111	-0.10%	11.68%	-0.10%	-0.10%
210019	A	GBR	\$363,060,325	27,433	0.79%	9.67%	0.71%	0.33%
210022	SUBURBAN	GBR	\$300,257,292	21,200	0.14%	9.44%	0.13%	0.06%
210023	ARUNDEL	GBR	\$638,079,582	50,997	1.13%	9.32%	1.02%	0.47%
210024	MEMORIAL	GBR	\$408,173,022	23,524	0.73%	12.60%	0.64%	0.30%
210027	MARYLAND	GBR	\$249,266,300	17,543	0.07%	10.12%	0.06%	0.03%
210028	ST. MARY	GBR	\$190,607,447	13,590	0.08%	10.97%	0.07%	0.03%
210029	BAYVIEW	GBR	\$648,298,096	37,635	0.14%	10.92%	0.12%	0.06%
210030	OWN	GBR	\$42,809,840	2,594	1.88%	7.14%	1.75%	0.81%
210032	HOSPITAL	GBR	\$148,870,147	9,442	1.38%	11.25%	1.23%	0.57%
210033	COUNTY	GBR	\$227,260,415	14,725	0.91%	14.82%	0.77%	0.36%
210034	HARBOR	GBR	\$185,766,145	10,457	-0.26%	18.21%	-0.26%	-0.26%
210035	REGIONAL	GBR	\$154,787,960	10,954	1.66%	13.74%	1.43%	0.66%
210037	EASTON	GBR	\$242,689,494	13,528	1.25%	7.41%	1.16%	0.54%
210038	MIDTOWN	GBR	\$221,694,472	10,056	-0.37%	14.08%	-0.37%	-0.37%
210039	CALVERT	GBR	\$152,693,058	10,174	1.62%	12.10%	1.43%	0.66%
210040	ST	GBR	\$267,678,753	15,910	0.14%	13.84%	0.12%	0.06%
210043	E	GBR	\$457,660,286	31,768	1.14%	13.60%	0.98%	0.46%
210044	G.B.M.C.	GBR	\$471,266,013	33,729	-0.03%	9.24%	-0.03%	-0.03%
210045	Y	GBR	\$15,013,176	710	-1.33%	5.70%	-1.33%	-1.33%
210048	COUNTY	GBR	\$300,228,275	22,692	0.87%	12.26%	0.77%	0.35%
210049	CHESAPE	GBR	\$319,013,478	22,194	1.67%	12.65%	1.46%	0.68%
210051	COMMUNIT	GBR	\$241,121,571	16,788	1.11%	17.15%	0.92%	0.43%
210055	REGIONAL	GBR	\$43,465,635	2,079	0.02%	2.37%	0.02%	0.01%
210056	SAMARITA	GBR	\$261,780,945	14,949	0.44%	19.23%	0.36%	0.17%
210057	GROVE	GBR	\$437,937,043	27,791	-0.01%	9.51%	-0.01%	-0.01%
210058	ORTHO	GBR	\$121,431,323	6,511	0.26%	0.14%	0.26%	0.12%
210060	WASHINGT	GBR	\$47,161,412	3,162	0.67%	13.88%	0.58%	0.27%
210061	GENERAL	GBR	\$79,145,668	6,059	1.63%	8.79%	1.48%	0.69%
210062	MARYLAND	GBR	\$259,229,977	14,762	0.82%	14.91%	0.69%	0.32%
210063	JOSEPH	GBR	\$380,079,993	26,226	0.36%	8.67%	0.33%	0.15%
210064	LEVINDALE	GBR	\$58,802,380	1,817	2.47%	7.62%	2.28%	0.06%
210065	CROSS	GBR	\$113,028,556	7,995	0.35%	12.62%	0.30%	0.14%
210087	OWN	GBR	\$14,049,442	1,005	-0.42%	0.00%	-0.42%	-0.42%
210088	ANNES	GBR	\$6,639,608	713	0.75%	0.00%	0.75%	0.35%
210333	HEALTH	GBR	\$19,339,195	1,326	-0.14%	0.00%	-0.14%	-0.14%
<b>State Total</b>			<b>\$16,241,200,392</b>	<b>\$983,743</b>	<b>0.44%</b>	<b>10.46%</b>	<b>0.39%</b>	<b>0.16%</b>

# Proposed Changes in Clinic RVUs Revenue and Rate Realignment

April 2020

# Overview

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- ▶ HSCRC staff identified Emergency Room and Clinic billing as two areas that needed RVU updates and standardization
  - ▶ ER RVUs were updated in 2019
- ▶ HSCRC staff plans to update Clinic RVUs and billing over several years, starting with three steps in 2020, including:
  - ▶ Eliminating the hold on clinic rate realignment
  - ▶ Aligning the office visit evaluation and management clinic RVUs with national policy levels
  - ▶ Removing \$60 to \$70 million in revenues from the clinic revenue center to reduce the effect of overhead allocations to the clinics
- ▶ The proposed changes will result in more reasonable clinic office visit fees, addressing concerns of patients, while having minimal impact of the distribution of charges across payers
- ▶ HSCRC staff will need to work with hospital staff to implement the initial changes by July 1, 2020

# Overview - Revised

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- ▶ HSCRC staff identified Emergency Room and Clinic billing as two areas that needed RVU updates and standardization
  - ▶ ER RVUs were updated in 2019
- ▶ HSCRC staff plans to update Clinic RVUs and billing over several years, starting with **two** steps in 2020, including:
  - ▶ ~~Eliminating the hold on clinic rate realignment~~ - Will be held for next year
    - ▶ Changes in 2019 hospital cost reports were causing unexpected impact
    - ▶ Changing RVUs but leaving the hold accomplishes goals of reducing clinic fees but minimizes changes during COVID event
  - ▶ Aligning the office visit evaluation and management clinic RVUs with national policy levels
  - ▶ Removing **\$57** million in revenues from the clinic revenue center to reduce the effect of overhead allocations to the clinics
- ▶ The proposed changes will result in more reasonable clinic office visit fees, addressing concerns of patients, while having minimal impact of the distribution of charges across payers
- ▶ **Will release individual hospital data and specific instructions in the next week.**